



Department of Planning, Building and Code Enforcement
801 North First Street, Room 400
San José, California 95110-1795

Hearing Date/Agenda Number:
P.C. May 25, 2005 Item:

File Number:
GP04-04-04

Council District and SNI Area:
4

Major Thoroughfares Map Number:
36

Assessor's Parcel Number(s):
244-31-011, -078

Project Manager: Dionne Early

GENERAL PLAN REPORT

2005 Spring Hearing

PROJECT DESCRIPTION:

General Plan amendment request to change the Land Use/Transportation Diagram designation from Industrial Park with a Mixed Industrial Overlay to High Density Residential (25-50 DU/AC) on a 4.01-acre site.

LOCATION: Southwesterly corner of Autumnvale Drive and N. Capitol Avenue (2450 Autumnvale Drive and 1971 N. Capitol Avenue) in the City of San José.

ACREAGE: 4.01

APPLICANT/OWNER:

Autumnvale Associates, Inc. and Adams Capitol Management Co., Owner/Steve Schott, Jr.-Citation Homes, Applicant

GENERAL PLAN LAND USE / TRANSPORTATION DIAGRAM DESIGNATION:

Existing Designation: Industrial Park with a Mixed Industrial Overlay

Proposed Designation: High Density Residential (25-50 DU/AC)

EXISTING ZONING DISTRICT(S): IP Industrial Park

SURROUNDING LAND USES AND GENERAL PLAN DESIGNATION(S):

North: Residential-Medium Density Residential (8-16 DU/AC)

South: Residential-Medium High Density Residential (12-25 DU/AC)

East: Residential –High Density Residential (25-50 DU/AC)

West: Industrial Park, Research and Development-Industrial Park

ENVIRONMENTAL REVIEW STATUS:

Mitigated Negative Declaration circulated on May 6, 2005.

PLANNING STAFF RECOMMENDATION:

No change to the General Plan.

Approved by:

Date:

PLANNING COMMISSION RECOMMENDATION:

CITY COUNCIL ACTION:

CITY DEPARTMENT AND PUBLIC AGENCY COMMENTS RECEIVED:

- Office of Economic Development (OED) – OED staff does not support the conversion of the project site to residential use due to the concern of actual job loss and long-term industrial land loss. See attached memo from Paul Krutko, Director, Office of Economic Development.
- Parks and Recreation Commission – This proposal could result in an increase of between 100 and 200 new multi-family dwelling units and generate the need for up to 1.4 acres of new neighborhood serving parkland to serve future residents. This area is isolated from convenient access to nearby park resources.
- Fire Department – San Jose Fire Department indicates site flow requirement may be as high as 4,500 GPM and reserves the right to make comments at a future date. The project should comply with comments from the Building/Fire Departments at the plan review stage.
- Department of Transportation (DOT) – The estimated number of new PM peak hour trips resulting from the proposed land use change is below the exemption threshold established for this area. Therefore, this General Plan amendment is exempt from a computer model (TRANPLAN) traffic impact analysis.
- Department of Public Works (DPW) – The Department of Public Works (DPW) Transportation and Development Services Division indicated that the subject site is in the AO-1 Flood Zone and a State Liquefaction Zone. Staff recommends early coordination with DPW.
- Environmental Services Department (ESD) – Upon review of technical reports, ESD staff concluded that no other conditions for advancement of this project are necessary.
- Berryessa Union School District – Berryessa Union School District anticipates that any impacts to the district's facilities will be mitigated through cooperation between the developers and local agencies; therefore the District does not oppose the proposed project.
- Santa Clara Valley Water District (SCVWD) – The SCVWD has several comments regarding the site including information about 1) a well located on site; 2) possible impact on the Milpitas Pipeline that may require a District permit; and 3) a recommendation for first floor elevation. Staff recommends early coordination with SCVWD.
- Santa Clara Valley Transportation Authority (VTA) – VTA recommends that the City take advantage of the site's proximity to existing and future transit services and encourage development that includes pedestrian access and use of transit. VTA also recommends use of VTA's *Community Design & Transportation Guidelines* when design of the development begins.

- Pacific Gas & Electric (PG&E)—PG&E has no objections at this time.

GENERAL CORRESPONDENCE:

Councilmember Chuck Reed received a letter dated September 15, 2004 from Troy Speers, the president of QuickSil, Inc., the business occupying the subject site. This letter was forwarded to Planning staff and received September 17, 2004. Mr. Speers writes that after surviving a major financial crisis two years earlier, his business had tripled in the last year. He indicated that QuickSil and the four other companies housed at the subject site had planned to invest \$500,000 in the building until they received notice that Citation Homes had an option to buy the building, demolish it and turn it into housing. He states that relocating a silicon fabrication business, one of the few within the City of San Jose limits, is complicated, expensive, and likely to require him to go out of business.

Staff received a memo from Paul Krutko, Director of the Office of Economic Development (OED) dated October 13, 2004 recommending no change to the General Plan. If the General Plan amendment is approved OED indicates 80 full-time jobs (at QuickSil, IC Sensor Co., ASML, IT Netsource, Calmos) will be lost. OED believes the loss of these businesses will diminish City business taxes in addition to the retail dollars generally expended by employees in area businesses. This memo was forwarded to the applicant.

A response from the applicant to the OED memo dated October 28, 2004 was sent to Planning staff. This letter and its attachments (see attached) are meant to provide the relevant facts needed for a complete analysis of the problems and opportunities associated with this proposed General Plan amendment. The attachments included: 1) a copy of the memo from OED; 2) Market View Silicon Valley R & D, Third Quarter, 2004 from CB Richard Ellis; 3) Market Report, Available Industrial Properties as of September 2, 2004; and 4) a letter regarding a lease amendment to extend the term of lease of the subject property to July 2005.

A second letter from Troy Speers dated March 4, 2005 states that Adams Capitol Management, the current owner of the subject site, has relocated QuickSil to a property in San Jose. Mr. Speers now states that he believes the applicant should be able to build housing on this site.

Further discussion of these correspondences can be found in the Public Outreach section of this staff report.

ANALYSIS AND RECOMMENDATIONS:**RECOMMENDATION**

Staff recommends no change to the General Plan Land Use/Transportation Diagram designation of Industrial Park on the subject site. The proposed change to High Density Residential (25-50

DU/AC) on this site would provide an increase of potentially up to 200 dwelling units (109 dwelling units assuming approval of the currently pending Planned Development zoning application file no. PDC05) but eliminates 30,000 square feet of industrial office and lab space on 4.01 acres of job producing lands. In little more than one year approximately 135 acres of industrial employment lands have been converted to non-employment uses, with that total likely to jump to approximately 492 acres by June 2005.

Balanced Community Policy No. 1 states that the City should foster development patterns that will achieve a whole and complete community in San José, particularly with respect to improving the balance between jobs and economic development on the one hand, and housing resources and a resident work force on the other. This policy's implications require understanding San Jose's need for higher density housing (45+ dwelling units to the acre) and mixed-use development near planned future BART stations to secure funding, the future demand for industrial land and other employment land, and the rate at which the City is converting industrial land to residential and other non-employment uses. The City already has a housing holding capacity that exceeds the City's regional required allocation, but the City's inventory of employment producing land is plummeting, creating a jobs/housing imbalance that is not supportive of local and regional transportation goals.

Industrial land is significantly less expensive than land already designated for residential uses and is often located on larger parcels, making it possible for developers to remove a few older industrial buildings, replace them with tracts of 50+ residential units, and sell these units at some of the highest rates in the country.¹ Once employment land is converted to residential designations and homes are built, it is virtually impossible for it to revert to employment land or other uses. When housing is built on sites located within close proximity to existing light rail or future BART stations at a density significantly below the standards set by the General Plan (45 DU/AC) and without the suggested commercial space, the City loses the opportunity to establish walkable, neighborhood-serving commercial areas and create the critical mass of units necessary to garner Federal and State funding to extend BART to San Jose and Santa Clara. Without creating walkable neighborhood environments a whole, diverse, and livable community balance cannot be achieved.

PROJECT DESCRIPTION

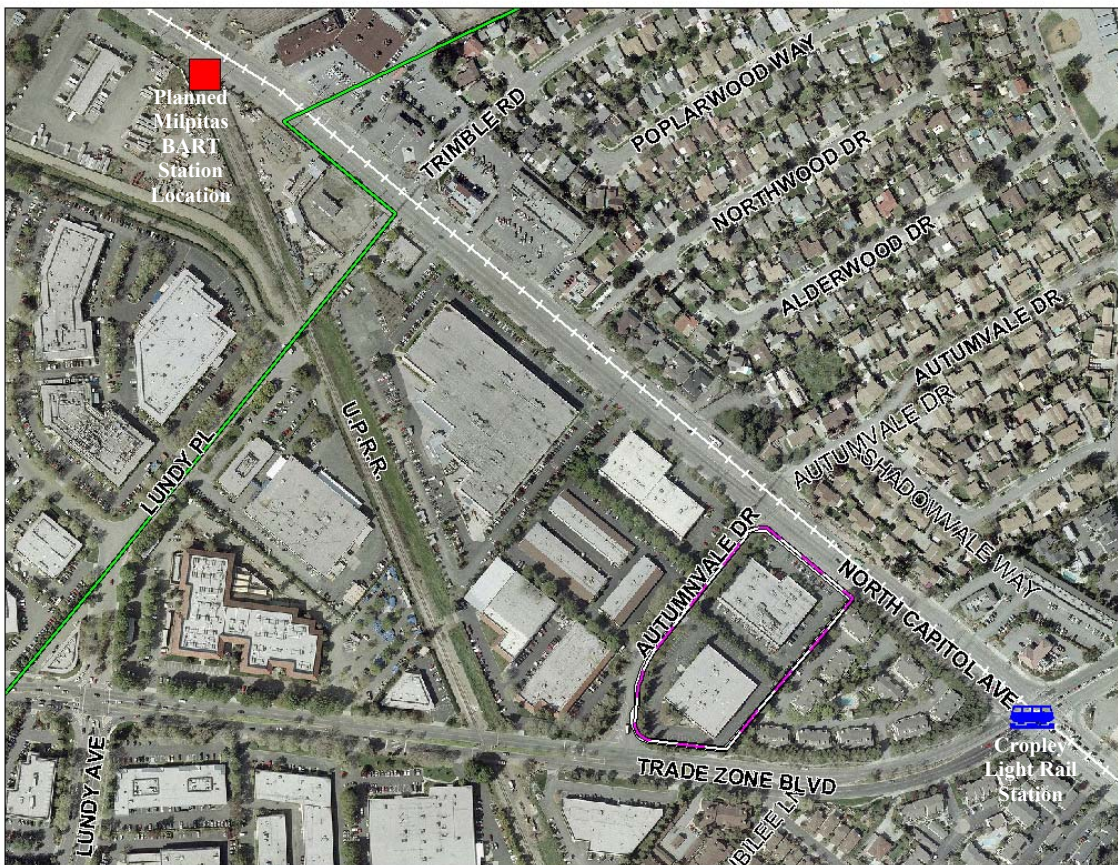
This is a privately initiated General Plan amendment to change the *San Jose 2020 General Plan* Land Use/Transportation Diagram designation from Industrial Park with a Mixed Industrial Overlay to High Density Residential (25-50 DU/AC) on a 4.01-acre site located at the southwesterly corner of Autumnvale Drive and North Capitol Avenue (2450 Autumnvale Drive and 1971 North Capitol Avenue). This site is adjacent to the Cropley Light Rail Station and is approximately ¼ mile southeasterly of the planned Milpitas BART Station. Approval of the proposed High Density Residential (25-50 DU/AC) land use designation for the subject site would allow housing types including three-to four-story apartments or condominiums over parking and for sites within 2,000 feet (1/3 mile) of a rail station a neighborhood-serving commercial component mixed with residential development can occur.

¹ The median price in Santa Clara County as of April 2005 is \$750,000 single-family homes and \$465,000 for condominiums (<http://rereport.com/scc/main.html>) compared to the national median home price of \$188,800 (http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20050512005442&newsLang=en).

A Planned Development rezoning application (File No. PDC04-109) has been filed concurrently with this proposed General Plan amendment. The pending Planned Development rezoning proposal would allow up to 109 single-family attached residences on the 4.01-gross acre site, resulting in a density of approximately 27 dwelling units per acre. The pending Planned Development rezoning is tentatively scheduled to be heard at separate public hearing by the Planning Commission and City Council if the proposed General Plan amendment is approved by the City Council.

BACKGROUND

Site and Surrounding Context



The subject site consists of two parcels (2450 Autumnvale (244-31-011) and 1971 North Capitol Avenue (244-31-078)) totally approximately 4.01 acres. The subject site is also located approximately 1,500 feet southeasterly of the planned Milpitas BART station, well within the 3,000-foot BART Station Area Node. Within this proximity to BART Stations higher density residential development and mixed-used developments generally exceeding 45 dwelling units per acre are encouraged. This supports ridership and helps create pedestrian-oriented neighborhoods. Additionally, the Cropley Light Rail Station is located directly across from this site. North Capitol Avenue is located to the immediate northeast, and a railroad track to the west of the site. Trade Zone Boulevard is located further to the west and north of the site.

In 1954, an orchard covered the site and was surrounded by similar properties. By 1963, the site remained unchanged; however, a residential subdivision was mapped to the northeast across

North Capitol Avenue. By 1974, the orchards in the surrounding area were diminished, and were replaced by commercial and residential development.

Autumnvale Drive was constructed to the northwest and Trade Zone Boulevard was connected to North First Street. Ranches and greenhouses were observed immediately to the southeast of the site. Two industrial structures (existing buildings) were built on the site by 1982; industrial sites were also developed to the northwest, across Autumnvale Drive, and to the southwest. No change was observed on the site through 1999. A residential subdivision was constructed to the south of the site in 1988; and multi-family residential structures were built to the immediate southeast of the site in 1992.

ANALYSIS

Consistency with General Plan Major Strategies

The *San Jose 2020 General Plan* has seven Major Strategies that together provide the “vision” for San Jose, particularly related to its future growth and development. Two of the seven Major Strategies that are most relevant to this proposed amendment are Economic Development and Housing.

Economic Development Strategy

Economic development is a fundamental priority for future growth of the City. Since 1975, San Jose’s General Plan has had strong strategies, goals, and policies to foster economic development. *The San Jose 2020 General Plan* continues to reiterate the importance of economic development through the Economic Development Major Strategy. The Economic Development Major Strategy calls for identifying opportunities for expanding the community’s economic base, promoting a balance between “driving” industries and the service/supplier firms that support them, and actively marketing San Jose as a location for a wide range of businesses. The proposed amendment is inconsistent with the General Plan’s Economic Development Major Strategy because it would result in potential loss of jobs and economic development opportunities.

Housing Major Strategy

The City’s General Plan seeks to create a well-balanced community. Although the need for economic development is as important as providing housing for the City’s residents, San Jose recognizes the continuing strong demand for housing here and throughout the region. The General Plan’s Housing Major Strategy encourages facilitating housing opportunities of all types and prices and to plan for residential land uses at appropriate locations and densities.

Housing types usually associated with the High Density Residential (25-50 DU/AC) land use designation, namely three-to four-story apartments or condominiums over parking (podium style development) or a mixture of podium style development and lower density, townhouse style attached homes both with the option of commercial space could create a density appropriate for location near major transportation hubs. Building a development more typical of the High Density Residential (25-50 DU/AC) designation would likely create more opportunity for on-site common or public open space and provide a residential density supportive of existing LRT and future BART ridership.

Although the subject site is located within the vicinity of the planned future Milpitas BART station, the applicant's proposed density is approximately 27 dwelling units per acre in the pending Planned Development zoning application. Should the General Plan designation of High Density Residential (25-50 DU/AC) be approved, the proposed land use designation and proposed density are not appropriate for the subject site for the following reasons:

- Residential uses on this site would displace a site that has been proven viable for industrial uses;
- It is more important to the jobs/housing balance that this site be preserved for industry rather than converted to residential use;
- Conversion of this site adds to the cumulative loss of industrial land in the City;
- An adequate supply of housing at this density already exists in San Jose;
- Does not eliminate or improve existing and future residents' proximity to nuisances including hazardous materials use and storage, generation of noise, dust, and odors found in this industrial area;
- Site is isolated from existing parks and open space.

Additionally, the existing San Jose 2020 General Plan land use designation on the site is Industrial Park with Mixed Industrial Overlay. Based on the General Plan methodology, land designated Industrial Park with Mixed Industrial Overlay would allow 100% affordable housing if the following criteria were met:

- Rental or ownership housing affordable to very low-, low- or moderate-income households.
- Proposed for a site and density compatible with surrounding land use designations.
- Located on a site consistent with the housing distribution policies of the General Plan.

If this site is located within 2,000 feet of a rail station as this site is, a mixed-use component may also occur as part of the development with neighborhood serving retail or childcare facilities. The allowable units under the existing and proposed designations are summarized below:

# OF UNITS BY DESIGNATION	
<i>Designations</i>	<i># of Units</i>
Industrial Park with Mixed Industrial Overlay (Existing General Plan)	100 + units if development is 100% affordable
High Density Residential (25-50 DU/AC) (Proposed General Plan amendment)	100-200 units (no affordability requirement)
Proposed Planned Development zoning	109 market rate units

Consistency with General Plan Goals and Policies

San Jose has continued to be proactive in its efforts and has maintained its commitment to meet the community's housing needs through a variety of innovative development strategies, including proactively planning for mixed-use and transit-oriented development and providing significant financial assistance to the construction of new units through Housing Department and Redevelopment Agency programs.

As discussed in the Housing Element of the General Plan, adopted by the City Council in April 2003, the City has sufficient land and established policies to meet its regional share housing allocation of 26,114 units. The City has a housing holding capacity well in excess of the City's expected share, demonstrating the City's commitment to planning for housing.

San Jose continues to be a leader in providing housing for the City's residents, consistently producing the largest share of new housing in the County. Since 1980, San Jose has averaged approximately 3,300 residential building permits a year. Even with the recent downturn in the economy, San Jose's housing production has remained strong. In the past five years, approximately 23,500 residential units were built or under construction. This represents an average of approximately 4,700 units a year, which is well above the historical annual average for the past 23 years.

Given the City's significant residential holding capacity, the proposed change to residential on this site provides only an incremental increase in dwelling units with little benefit (109 dwelling units) to the City's General Plan Housing Major Strategy. The proposed General Plan amendment is inconsistent with several General Plan policies. These inconsistencies are discussed below.

Balanced Community Policy 1

Balanced Community Policy No. 1 states that the City should foster development patterns that will achieve a whole and complete community in San José, particularly with respect to improving the balance between jobs and economic development on the one hand, and housing resources and a resident work force on the other. This policy's implications require understanding San Jose's need for higher density housing (45+ dwelling units to the acre) and mixed-use development near planned future BART stations to secure funding, the future demand for industrial land and other employment land, and the rate at which the City is converting industrial land to residential and other non-employment uses. The City already has a housing holding capacity that exceeds the City's regional required allocation, but the City's inventory of employment producing land is plummeting, creating a jobs/housing imbalance that is not supportive of local and regional transportation goals.

Industrial land is significantly less expensive than land already designated for residential uses and is often located on larger parcels, making it possible for developers to remove a few older industrial buildings, replace them with tracts of 50+ residential units, and sell these units at some of the highest rates in the country.² Once employment land is converted to residential designations and homes are built, it is virtually impossible for it to revert to employment land or other uses. When housing is built on sites located within close proximity to existing light rail or future BART stations at a density significantly below the standards set by the General Plan (45 DU/AC) and without the suggested commercial space, the City loses the opportunity to establish walkable, neighborhood-serving commercial areas and create the critical mass of units necessary

² The median price in Santa Clara County as of April 2005 is \$750,000 single-family homes and \$465,000 for condominiums (<http://rereport.com/scc/main.html>) compared to the national median home price of \$188,800 (http://home.businesswire.com/portal/site/google/index.jsp?ndmViewId=news_view&newsId=20050512005442&newsLang=en).

to garner Federal and State funding to extend BART to San Jose and Santa Clara. Without creating walkable neighborhood environments a whole, diverse, and livable community balance cannot be achieved. Together these factors and others discussed earlier in this document illustrate that the City already has a housing holding capacity well in excess of the City's expected share and that its inventory of employment producing land is plummeting creating a jobs/housing imbalance that is not supportive of local and regional transportation goals.

Balanced Community Policy No. 2

Balanced Community Policy No. 2 states that varied residential densities, housing types, styles, and tenure opportunities should be equitably and appropriately distributed throughout the community and integrated with the transportation system, including roads, bicycle and pedestrian facilities. Higher densities are encouraged near passenger rail lines and other major transportation facilities to support the use of public transit. Although the proposed General Plan designation is High Density Residential (25-50 DU/AC), the Planned Development rezoning on file achieves only a density of 27 dwelling units per acre. This falls substantially short of the General Plan recommendation of 45 dwelling units per acre within proximity to an existing light rail station and planned future BART station.

Economic Development Policy No. 1

Economic Development Policy No. 1 seeks to reduce the City's jobs/housing imbalance. San Jose has been a housing rich community, providing and producing much of the housing growth in the County. While the City continues its efforts to facilitate housing for all segments of the population, it must also be able to foster economic development that helps generate employment opportunities for its residents and revenue to support City services. If this General Plan amendment were approved, not only would real and potential employment opportunities be lost on the subject site, but the industrial operations across Autumnvale Drive could potentially be constrained in continuing their operations, due to the proximity of the new residential uses.

Industrial Land Use Policy No. 3

Industrial Land Use Policy No. 3 states that the City should monitor the absorption and availability of industrial land to ensure a balanced supply of available land for all sectors. The conversion of the amendment site to non-industrial uses would result in the loss of 4.01 acres of industrial land and approximately 30,000 square feet of industrial employment land able to support approximately 108 jobs. Although the amendment site is a relatively small area, this conversion will add to the cumulative impact of industrial land loss, and increase the potential for the adjacent industrially designated sites to seek conversion.

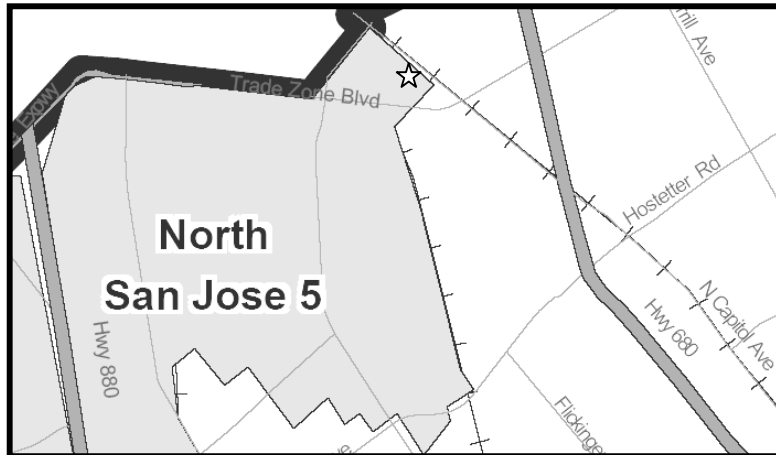
Industrial Land Use Policy No. 11

Industrial Land Use Policy No. 11 states that because of the importance in retaining viable industrial supplier/service lands and the inherent incompatibility between residential or non-industrial uses and industrial uses, new land uses that may restrict development of land reserved exclusively for industrial uses should not be allowed to locate adjacent to these areas of the City, and in particular, sensitive receptors, should not be located near primary industrial areas.

Currently the subject site in combination with Autumnvale Drive create a buffer between the industrial area to the northwest and residential development to the southeast. Converting this viable industrial site to residential will not eliminate or improve existing and future residents' proximity to nuisances including hazardous materials use and storage, generation of noise, dust, and odors found in this industrial area. This site is also isolated from existing parks and open space and the Planned Development zoning on file includes no contribution of parklands at this location.

Consistency with the Framework

To Evaluate Proposed Conversions of Employment Lands to Other Uses



The Framework, as a Guideline, to Evaluate Proposed Conversions of Employment Lands to Other Uses suggests considering this portion of North San Jose 5 east of I-880 as an area to consider for conversion to housing, retail, mixed use, or other Household Serving Industries in certain circumstances. It also states that in certain circumstances this area can be considered for housing in

areas that are close to existing residential areas and areas that could be integrated into a neighborhood framework. Staff does not believe that the circumstances exist to support conversion. The analysis of criteria for evaluation of proposed conversion to residential use is discussed in Attachment A.

Land Use Compatibility

The nearest incompatible industrial areas are located adjacent to the site on the southeast. Uses allowed under the existing General Plan designation on this industrial site include storage of hazardous materials and the generation of noise, dust, and odors, which are generally considered undesirable by the residential population. Increasing the residential population in a neighborhood adjacent to industrial land uses may result in complaints about the industrial operations, which would result in restrictions being placed on businesses. Approval of a residential project at this location could require that certain operational activities could be subject to approval of a conditional use permit for all industrial properties within 150 feet. Therefore, the proposed General Plan amendment could result in future limitations being imposed on the adjacent industrial uses to the west of the project site.

The proposed amendment would further erode the integrity of this subarea. There is a strong likelihood that the proposed change would be a catalyst to induce future conversions of surrounding industrial properties to residential uses. Placing a new residential project adjacent to the existing industrial uses would negatively affect the viability of the existing industrial operations. Due to the new limitations that would be imposed upon the future expansion opportunities of the surrounding industrial users, the businesses could be pressured to convert to residential use.

ENVIRONMENTAL REVIEW

A Mitigated Negative Declaration was prepared for the proposed General Plan amendment (GP004-04-04) to change the land use designation from Industrial Park with a Mixed Industrial Overlay to High Density Residential (25-50 DU/AC) and a proposed Planned Development rezoning (PDC04-109) for up to 109 single-family attached housing units on the 4.01-acre site. Circulation ends May 25, 2005 at 5:00 PM. Key issues that required mitigation included air quality, biological resources, cultural resources, geology and soils, hazardous materials, hydrology and water quality, land use and planning and noise.

PUBLIC OUTREACH

Correspondence

As stated earlier in this staff report, a response from the applicant to the OED memo dated October 28, 2004 was sent to Planning staff. This letter and its attachments (see attached) are meant to provide the relevant facts needed for a complete analysis of the problems and opportunities associated with this proposed General Plan amendment. The attachments included: 1) a copy of the memo from OED; 2) Market View Silicon Valley R & D, Third Quarter, 2004 from CB Richard Ellis; 3) Market Report, Available Industrial Properties as of September 2, 2004; and 4) a letter regarding a lease amendment to extend the term of lease of the subject property to July 2005. Together these documents set forth the idea that, 1) Silicon Valley has millions of square feet of vacant industrial properties (21.9% or 36 million square feet vacant Research and Development space; 2) International Business Park where QuickSil is currently located has a vacancy rate of 20.8% or 2 million square feet; 3) that QuickSil is currently paying \$1.45 per square foot to rent when current rates are between \$0.50 and \$1.25 per square foot; and 4) that if this General Plan amendment is not approved, another 30,000 square feet of vacant industrial land will be added as QuickSil's lease, even with extension expires in July 2005.

A second letter from Troy Speers dated March 4, 2005 states that Adams Capitol Management, the current owner of the subject site, has relocated QuickSil to a property in San Jose. Mr. Speers now states that he believes the applicant should be able to build housing on this site.

Community Outreach

Staff is concerned about this industrial conversion process setting a precedent for future conversion of job producing lands on adjacent sites and throughout the City of San Jose. On May 19, 2005, the applicant for the proposed General Plan amendment and pending Planned Development rezoning will present their proposal approximately one mile from the subject site at Round Table Pizza located at 2129 Morrill at 6:30PM. The applicant noticed the area within a 1,000-foot radius of the subject site, but did so only two days in advance of the meeting. For this reason a meeting will be set up with the Berryessa Citizens Advisory Council. This meeting is likely to occur between the General Plan hearing date (May 25, 2005) and the City Council hearing date (June 7, 2005).

CONCLUSION

The applicant proposed General Plan amendment is not consistent with long standing General Plan policies and the “Framework” criteria to determine appropriateness for the conversion of employment lands to other uses. Staff recommends no change to the General Plan Land Use/Transportation Diagram designation of Industrial Park with Mixed Industrial Overlay on the subject site. Should this General Plan amendment be approved, staff recommends a minimum density of 45 dwelling units per acre be established